

2014-15

MKHONDO LOCAL MUNICIPALITY - (MP303) - 2014/15 ADJUSTMENT BUDGET REPORT

ADJUSTMENT BUDGET REPORT

Municipal Budget Reporting Regulations (MBRR)



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PART 1

ADJUSTMENT BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

The Executive Mayor of Mkhondo Local Municipality, Councillor B.H Mtshali delivered his 2014/2015 budget speech to the Council in May 2014. The Executive Mayor's address sought the Council's approval for an operating revenue budget of R352.6million for the 2014/15 financial year as per the provisions of Section 24 of the Local Government: Municipal Finance Management Act (Act 56 of 2003).

As we celebrate the 20 years of democracy, it goes without asking that local government remains the main focus point of the expectation of all our communities for improvement of their livelihood. We draw pride from the 103rd year celebration of the African National Congress and build on this past to get things done better today. We are Going Back to Basics. It is therefore in this spirit that this adjustment budget tries to achieve the basic service delivery expectations in relation to water, sanitation, roads, local economic development, community development and social cohesion. In essence, the budget is a final product of a lengthy and rigorous community and stakeholders' consultation through the IDP process. The 2014/2015 adjustment budget is aimed at maintaining an approach of prioritizing the water and sanitation services as directed by the leadership of the province. Mkhondo Municipality has made great strides in ensuring that the provincial leadership call is heeded by allocating a significant percentage towards these services.

We remain steadfast in addressing the challenges of improving service delivery, creating jobs, reducing poverty, building infrastructure and expanding our local economy. In our effort to increase the service delivery momentum in the 2014/2015 financial year, we envisage spending acceleration of more than R99.6million total capital adjusted budget on various infrastructural development projects. Despite our financial limitations, we are still determined to attain our mission of bettering the lives of all our community through sustainable service delivery, creating job opportunities and intensified public participation.

The operating adjustment budget of R340.9million which has been informed by the first six months actual performance as envisaged in the Mid-year budget and performance review which was tabled in Council on the 23rd of January 2015. The average collection rate for the first six months stood at 66% which was lower than the originally budgeted collection rate of 75.5%. This in essence has compelled the municipality to relook at its revenue projections as required in terms of MFMA, S17 (1) (a) which state that "the municipality must set out realistically anticipated revenue for the budget year from each revenue sources".

The total capital adjusted budget of amounts to R99, 6million, this is inclusive of the approved rollover allocation of R3,6 million will be spent on an intensive service delivery programme in various areas. Notwithstanding the aforementioned, all stakeholders must play their part in ensuring that revenue of the municipality is increased and sustainable. It is therefore imperative that extraordinary initiatives need to be redesigned to ensure that the municipality is able to raise sufficient revenue so as to cover significant areas that require attention.

"We believe that to a large extent, our 2014/2015 adjustment budget embodies the strategic needs and developmental goals of our community, as we have had an opportunity to listen to our people in various wards during our IDP & Budget Review consultative meetings".

1.2 COUNCIL RESOLUTION

Mkhondo Local Municipality adopted its 2014/15 Mid-year budget and assessment report during the ordinary council meeting that was held on the 23rd January 2015. The council resolution giving the effect of this adjustment budget was **Item no: 15/01/328A**

1.3 EXECUTIVE SUMMARY

The Council must approve the Adjustments Budget in terms of the provisions made in Section 28 (1) (2) of the Municipal Financial Management Act; wherein the Adjustments Budget;

- a) Is used to revise an approved annual budget;
- b) Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current financial year;
- c) May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- d) May, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- e) May authorize the utilization of projected savings in one vote towards spending under another vote;
- f) May authorize the spending of funds that were unspent at the end of the past financial year where under-spending could not reasonably have been foreseen at the time to include projected rollovers when the annual budget for the current year was approved by the Council;
- g) May correct any errors in the annual budget; and
- h) May provide for any other expenditure within a prescribed framework

1.4 Consolidated Overview

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Adjustment Budget

Table 1 Consolidated Overview of the 2014/15 ADJUSTMENT BUDGET

Consolidated MTREF Budget	2014/15 Original Budget	2014/15 Adjustment Budget	2015/16 Budget Year +1	2016/17 Budget Year +2
Total Operating Revenue	352 630 692	340 944 205	359 355 192	378 760 373
Total Operating Expenditure	425 655 442	413 973 255	436 327 811	459 889 513
<i>Less: Non-Cash Items</i>	-73 057 708	-73 057 708	-77 002 825	-81 160 977
<i>Surplus/(Deficit) for the year</i>	32 958	28 658	30 206	31 837
MIG	72 765 000	76 376 325	80 500 647	84 847 681
INEP	5 000 000	5 000 000	5 270 000	5 554 580
OWN CAPITAL:CRR	14 494 800	18 195 331	19 177 879	20 213 484
<i>Total Capital Expenditure</i>	92 259 800	99 571 656	104 948 525	104 948 526

Total operating revenue for 2014/15 financial year is R352.6million, when compared to the 2014/15 Adjustments Budget of R340.9million, for the two outer years, operational revenue will increase by 5 per cent as per CPIX.

Total operating expenditure for the 2014/15 financial year has been appropriated at R425.7million and translates into a budgeted deficit of which includes a non-cash revenue Item R73.1million of R14.5million towards funding own capital contribution. When compared to the 2014/15 adjustments Budget, operational expenditure has been adjusted downwards by 3 per cent in the 2014/15 budget. However, the own capital acquisition has increased by R1.9million due to the expenditure incurred in the first half of the financial year such as the recent municipal vehicles, electrification of Ntombe, etc.

The adjusted capital budget of R76.4million for 2014/15 is 5 per cent higher when compared to the 2014/15 Capital Budget of R72.8million, which is R3.6million of the approved rollover from the 2013/14 financial year.

1.5 Operating Revenue Framework

Table B2 Summary of operating by standard classification item

MP303 Mkhondo - Table B2 Adjustments Budget Financial Performance (Standard classification) - February 2015

Standard Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands												
Revenue - Standard Governance and administration		169,107	–	–	–	–	–	2,273	2,273	171,379	178,238	187,863
Executive and council		120,494	–	–	–	–	–	(2,450)	(2,450)	118,044	127,001	133,859
Budget and treasury office		48,493	–	–	–	–	–	4,601	4,601	53,094	51,112	53,872
Corporate services		119	–	–	–	–	–	122	122	242	126	132
Community and public safety		4,148	–	–	–	–	–	(545)	(545)	3,604	4,372	4,608
Community and social services		139	–	–	–	–	–	15	15	153	146	154
Sport and recreation		28	–	–	–	–	–	(2)	(2)	25	29	31
Public safety		3,299	–	–	–	–	–	(674)	(674)	2,625	3,478	3,665
Housing		682	–	–	–	–	–	117	117	800	719	758
Economic and environmental services		14,129	–	–	–	–	–	(3,181)	(3,181)	10,948	14,892	15,696
Road transport		14,129	–	–	–	–	–	(3,181)	(3,181)	10,948	14,892	15,696
Trading services		136,880	–	–	–	–	–	(7,424)	(7,424)	129,456	144,272	152,062
Electricity		99,877	–	–	–	–	–	(2,307)	(2,307)	97,569	105,270	110,954
Water		18,475	–	–	–	–	–	(4,324)	(4,324)	14,150	19,472	20,524
Waste water management		10,925	–	–	–	–	–	(1,050)	(1,050)	9,875	11,515	12,137
Waste management		7,604	–	–	–	–	–	257	257	7,861	8,014	8,447
Other		18,347	–	–	–	–	–	(2,810)	(2,810)	15,538	19,338	20,382
Total Revenue - Standard	2	342,611	–	–	–	–	–	(11,687)	(11,687)	330,925	361,112	380,612

According to the revenue by standard classification the most highlights on the governance and administration were the adjusted revenue from Budget and Treasury Office at an estimated growth of R2.2million mainly from the VAT audit and insurance claims that were successful in the financial year.

Trading services experienced a reduction in revenue to an amount of R7.2million; this was a case as a result that the revenue collection for the first half of the year particularly water with a reduced actual amount of R4.3million from its original budget.

In terms of the overall expenditure by standard classification, the average cut down on the budgeted expenditure amounts to R11.6million from with R8million reprioritized for capital roads refurbishing and other related road works.

The following are some of the internal initiatives as proposals for the much anticipated revenue enhancements strategy that can be “Quick-wins” for cashflow turnaround in the municipality on a short term.

- Exploiting forestry income to the fullest extent
- Review and calculation of electricity reticulation losses
- Review and calculation of bulk water losses
- Review of Munsoft accurate billing and settlement schedule.
- Ensure prompt cut-offs on account defaulters
- Immediate implementation of the MPRA to its fullest extent.
- Billing ESKOM servitudes and improvement
- Immediate upgrade and review of valuation roll and implementation
- Review Eskom bulk purchase metering methods
- Review collectability of fines
- Review of rental contracts and collectability.
- Review of private telephone charges collectability.
- Promotion of roads and transport marketing (Agency services)
- Sale of redundant move-able and immoveable assets.
- Smart meter project to be implemented and speedup cashflow
- Meter audit project
- Data cleansing
- Review of costs for fleet repairs
- Repossession and sale of land with excessive debts and non-payment
- Review of own land and possible sale or utilization, lease, etc
- Appointment of dedicated electrician to perform in-house cut offs.
- Implement Munsoft system to its full capacity
- Investigate conventional and pre-paid meter tampering.
- Evaluate pre-paid meter warnings reports.
- Installation of MMS and SMS reminder system for consumers
- Evaluate incentive scheme for account payers.
- Conduct a VAT Review
- Promote electronic payments vs high bank charges on cash payments/ deposits
- Evaluate interest on arrears and use as leverage for “discount”
- Billing of reconnection fees.

1.6 Operating Expenditure Framework

Table B2 Summary of operating expenditure by standard classification item

**MP303 Mkhondo - Table B2 Adjustments Budget Financial Performance
(Standard classification) - February 2014**

Standard Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi- year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
			5	6	7	8	9	10	11	12		
Expenditure - Standard		194,677	-	-	-	-	-	16,093	16,093	210,770	-	-
<i>Governance and administration</i>												
Executive and council		47,501	-	-	-	-	-	(2,626)	(2,626)	44,875	-	-
Budget and treasury office		123,111	-	-	-	-	-	17,420	17,420	140,531	-	-
Corporate services		24,065	-	-	-	-	-	1,299	1,299	25,364	-	-
Community and public safety		19,797	-	-	-	-	-	636	636	20,433	-	-
Community and social services		1,730	-	-	-	-	-	20	20	1,750	-	-
Sport and recreation		5,487	-	-	-	-	-	(42)	(42)	5,445	-	-
Public safety Housing		11,679	-	-	-	-	-	413	413	12,092	-	-
Health		185	-	-	-	-	-	-	-	185	-	-
Economic and environmental services		716	-	-	-	-	-	245	245	961	-	-
Planning and development		40,650	-	-	-	-	-	(4,070)	(4,070)	36,580	-	-
Road transport		-	-	-	-	-	-	-	-	-	-	-
Environmental protection		40,650	-	-	-	-	-	(4,070)	(4,070)	36,580	-	-
Trading services		-	-	-	-	-	-	-	-	-	-	-
Electricity Water		102,809	-	-	-	-	-	(10,617)	(10,617)	92,192	-	-
Waste water management		55,470	-	-	-	-	-	(5,187)	(5,187)	50,283	-	-
Waste management		27,371	-	-	-	-	-	(2,157)	(2,157)	25,214	-	-
Other		7 737	-	-	-	-	-	(674)	(674)	7 063	-	-
Total Expenditure - Standard	3	373,275	-	-	-	-	-	2,398	2,398	375,673	-	-
Surplus/ (Deficit) for the Year		(73,734)	-	-	-	-	-	4,582	4,582	(69,152)	-	-

According to the adjusted budget financial performance the expenditure trends on Governance and administration were adjusted by R16.1million which includes amongst others the consultants fees, security expenses and other valuation costs in the BTO. Roads constructions and other budget

allocation were reprioritised for the upgrading and refurbishing of town streets as well as other main access roads for R4, 1million under the economic environmental services, planning and development.

Trading services had a skewed revenue de-acceleration due to non-collection of revenue therefore resulting in a readjustment of expenditure in relation to the reduction of collection for the same trading services. An amount of R10.6million is reduced on the overall trading services budget considering the payment rate and lack of revenue collection. Inclusive in the adjusted budget of R10.6million, Sanitation services was also revised from R12, 2million to R9, 6million mainly due to non-collection and readjusting the revenue proportionally.

1.7 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table B5 - Budgeted Capital Expenditure by vote, standard classification

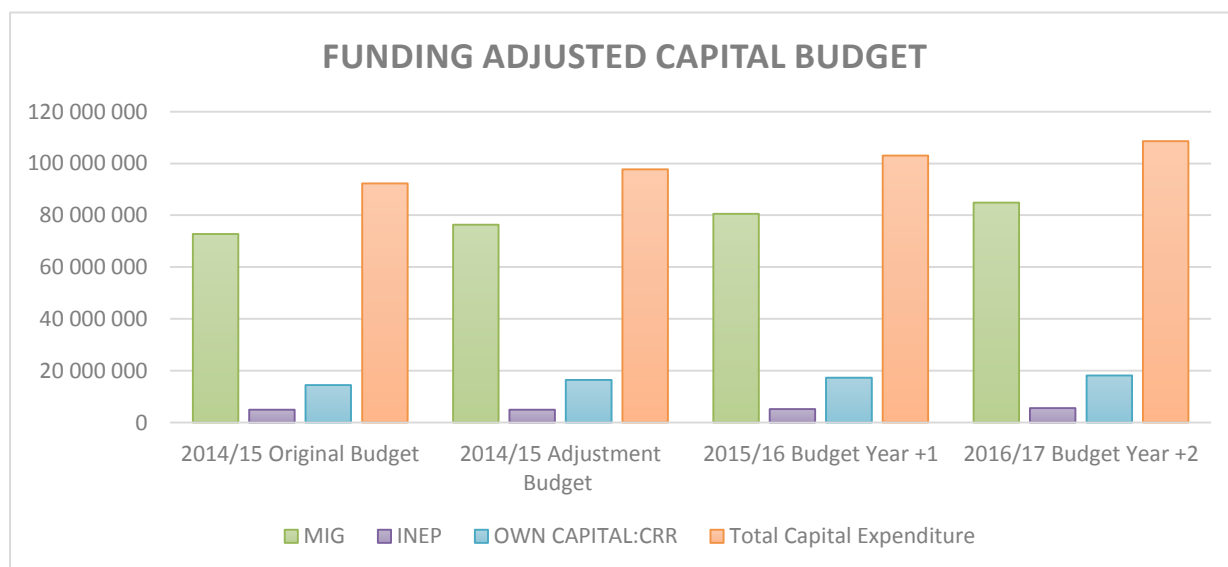
**MP303 Mkhondo - Table B5 Adjustments Capital Expenditure
Budget by vote and funding – February 2015**

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
Capital Expenditure - Standard												
Governance and administration		2,957	-	-	-	-	-	1,812	1,812	4,768	5,026	5,297
Executive and council								-	-	-		
Budget and treasury office		1,757						1,307	1,307	3,063	3,229	3,403
Corporate services		1,200						505	505	1,705	1,797	1,894
Community and public safety		1,823	-	-	-	-	-	(1,323)	(1,323)	500	527	555
Community and social services		-						-	-	-	-	-
Sport and recreation		223						(223)	(223)	-	-	-
Public safety		1,600						(1,100)	(1,100)	500	527	555
Housing								-	-	-		
Health								-	-	-		
Economic and environmental services		29,424	-	-	-	-	-	(8,987)	(8,987)	20,437	21,541	22,704
Planning and development		1,280						(1,280)	(1,280)	-	-	-
Road transport		28,144						(7,707)	(7,707)	20,437	21,541	22,704
Environmental protection								-	-	-		

Trading services		57,596	-	-	-	-	-	16,090	16,090	73,686	77,665	81,859
Electricity		7,475						1,257	1,257	8,732	9,204	9,701
Water		37,663						(2,425)	(2,425)	35,237	37,140	39,146
Waste water management		12,258						17,458	17,458	29,717	31,321	33,013
Waste management		200						(200)	(200)	-	-	-
Other		460						(280)	(280)	180	190	200
Total Capital Expenditure - Standard	3	92,260	-	-	-	-	-	7,312	7,312	99,572	104,949	110,616
Funded by:												
National Government		77,765						3,611	3,611	81,376	85,771	90,402
Provincial Government								-	-	-	-	-
District Municipality								-	-	-	-	-
Other transfers and grants								-	-	-	-	-
Total Capital transfers recognised	4	77,765	-	-	-	-	-	3,611	3,611	81,376	85,771	90,402
Public contributions & donations								-	-	-	-	-
Borrowing								-	-	-	-	-
Internally generated funds		14,495						3,701	3,701	18,195	19,178	20,213
Total Capital Funding		92,260	-	-	-	-	-	7,312	7,312	99,572	104,949	110,616

The following graph provides a summary of adjusted capital budget and its funding sources to be spent on infrastructure projects.

Figure 1 - Funding Adjusted Capital Infrastructure Programme



For 2014/15 capital adjustment budget has increased from R92.3million to an amount of R97.3million and is earmarked for the acceleration towards the development of infrastructure within the Mkhondo Local municipality jurisdiction.

The highest adjusted capital infrastructure budget allocation on water services of R35.2million which equates to 54 per cent Municipal Infrastructure Grant (MIG) which will address the provision of water supply in newly developed township settlements.

Our municipal roads infrastructure requires regular maintenance works due to heavy vehicles passing through town and carrying heavy goods. Some of the urban streets have been successfully rehabilitated but more streets require additional funding to be resurfaced and paved. An amount of R10.5million towards roads infrastructure and maintenance has been set aside and service providers will be on site to commence and complete the projects by the end of the financial year 2014/15.

1.8 Adjusted Budget Summary

**MP303 Mkhondo -
Table B1
Adjustments
Budget Summary**

Description	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
	Original Budget	Prior Adjusted	Accum. Funds	Multi- year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
	A	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
R thousands											
Financial Performance											
Property rates	29,672	–	–	–	–	–	8,405	8,405	38,077	40,133	42,301
Service charges	126,790	–	–	–	–	–	(8,076)	(8,076)	118,715	125,125	131,882
Investment revenue	2,800	–	–	–	–	–	(1,418)	(1,418)	1,382	1,457	1,536
Transfers recognised - operational	132,752	–	–	–	–	–	150	150	132,902	140,079	147,643
Other own revenue	50,597	–	–	–	–	–	(10,748)	(10,748)	39,848	45,105	47,540
Total Revenue (excluding capital transfers and contributions)	342,611	–	–	–	–	–	(11,686)	(11,686)	330,925	351,899	370,902
Employee costs	99,805	–	–	–	–	–	(4,019)	(4,019)	95,785	100,958	106,410
Remuneration of councillors	9,900	–	–	–	–	–	826	826	10,726	11,306	11,916
Depreciation & asset impairment	73,058	–	–	–	–	–	–	–	73,058	77,003	81,161
Finance charges	929	–	–	–	–	–	(201)	(201)	729	768	809
Materials and bulk purchases	107,356	–	–	–	–	–	(6,787)	(6,787)	100,569	106,000	120,874
Transfers and grants	12,872	–	–	–	–	–	–	–	12,872	13,567	14,300
Other expenditure	111,716	–	–	–	–	–	(1,502)	(1,502)	110,215	118,064	124,439
Total Expenditure	415,636	–	–	–	–	–	(11,682)	(11,682)	403,954	427,665	459,909
Surplus/(Deficit)	(73,025)	–	–	–	–	–	(4)	(4)	(73,029)	(75,766)	(89,007)
Transfers recognised - capital	77,765	–	–	–	–	–	3,611	3,611	81,376	85,771	90,402

Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	4,740	-	-	-	-	-	3,607	3,607	8,347	10,005	1,395
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	4,740	-	-	-	-	-	3,607	3,607	8,347	10,005	1,395
<u>Capital expenditure & funds sources</u>											
Capital expenditure	92,260	-	-	-	-	-	7,312	7,312	99,572	104,949	110,616
Transfers recognised - capital	77,765	-	-	-	-	-	3,611	3,611	81,376	85,771	90,402
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	14,495	-	-	-	-	-	3,701	3,701	18,195	19,178	20,213
Total sources of capital funds	92,260	-	-	-	-	-	7,312	7,312	99,572	104,949	110,616
<u>Financial position</u>											
Total current assets	190,144	-	-	-	-	-	2,924	2,924	193,068	200,412	211,234
Total non current assets	1,398,867	-	-	-	-	-	(151,131)	(151,131)	1,247,735	1,474,405	1,554,023
Total current liabilities	52,307	-	-	-	-	-	57,709	57,709	110,016	55,131	58,108
Total non current liabilities	37,979	-	-	-	-	-	(24,377)	(24,377)	13,602	40,030	42,191
Community wealth/Equity	1,498,725	-	-	-	-	-	(181,540)	(181,540)	1,317,185	1,579,656	1,664,958
<u>Cash flows</u>											
Net cash from (used) operating	46,328	-	-	-	-	-	(3,474)	(3,474)	42,854	46,292	48,791
Net cash from (used) investing	(85,812)	-	-	-	-	-	(8,252)	(8,252)	(94,063)	(93,331)	(98,371)
Net cash from (used) financing	-	-	-	-	-	-	(500)	(500)	(500)	-	-
Cash/cash equivalents at the year end	3,213	-	-	-	-	-	(17,560)	(17,560)	(14,347)	(61,386)	(87,984)
<u>Cash backing/surplus reconciliation</u>											
Cash and investments available	78,435	-	-	-	-	-	(24,852)	(24,852)	53,583	82,670	87,134
Application of cash and investments	(8,526)	-	-	-	-	-	47,406	47,406	38,880	(2,259)	(2,381)
Balance - surplus (shortfall)	86,960	-	-	-	-	-	(72,258)	(72,258)	14,703	84,929	89,515
<u>Asset Management</u>											
Asset register summary (WDV)	1,265,779	-	-	-	-	-	(79,954)	(79,954)	1,185,824	1,334,131	1,406,174
Depreciation & asset impairment	73,058	-	-	-	-	-	-	-	73,058	77,003	81,161
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	26,369	-	-	-	-	-	-	-	26,369	27,793	29,294
<u>Free services</u>											
Cost of Free Basic Services provided	72,865	-	-	-	-	-	-	-	72,865	72,865	72,865
Revenue cost of free services provided	7,930	-	-	-	-	-	-	-	7,930	8,048	8,306

<u>Households below minimum service level</u>												
Water:	2	-	-	-	-	-	2	2	4	2	2	
Sanitation/sewerage:	17	-	-	-	-	-	18	18	35	19	20	
Energy:	20	-	-	-	-	-	-	-	20	20	21	
Refuse:	40	-	-	-	-	-	-	-	40	42	45	

The overall adjusted revenue budget inclusive of transfers and grants amounts to R330.9million and the overall adjusted expenditure budget inclusive of transfers and grants as well as debt impairment amounts to R404million which translates to the deficit of R73.1million which if you take off the non-cash item of R73.1million debt impairment it will result into a surplus budget of just under R40 000.

Considering whether an adjustment budget is funded or not, we focused mainly on the cash backed/surplus reconciliation to make an analysis of the funding compliance on the adjustment budget. Cash and investments available less the application of cash and investments results into a net surplus of R14.3million which translate that an adjustment budget is funded for own capital acquisition.

PART 2 – Supporting Documentation

2.1 Overview of the Adjustment Budget Process

The Municipal finance management act of 2006 in Section 28 section 2(a) to (g) directs several provisos' that must be met in order to facilitate the adjustment budget. In each and every proviso mentioned below a note is made of the applicable recommendation.

Section 28 MFMA	APPLICABLE
(a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;	<i>Applicable.</i>
(b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;	<i>Not applicable</i>
(c) may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;	<i>None foreseen at this stage</i>
(d) may authorise the utilisation of projected savings in one vote towards spending under another vote;	<i>Applied under many Circumstances.</i>
(e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;	<i>Applicable with MIG, FMG treasury rollovers</i>
(f) may correct any errors in the annual budget; and	<i>Applied in many instances</i>
(g) may provide for any other expenditure within a prescribed framework.	<i>A few occasions have been applied.</i>

Budget Steering Committee established

The Budget Steering Committee has been established and it consists of the Municipal Manager and other senior officials of the municipality which is chaired by the councilor responsible for the financial matters.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.2 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities

In developing the 5-year IDP, a process plan was developed and adopted by Council. It started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. The Mkhondo Local Municipality has completed its 2011-2016 cycle of Integrated Development Plan (IDP).

2.3 Overview of alignment of adjustment budget with IDP review

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the five development priorities of the municipality, which are the national Key Performance Areas for local government, namely:

- Basic Service Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

Table 2 IDP Strategic Development Priorities and Objectives

Basic Service Delivery	Municipal Institutional Development and Transformation	Local Economic Development	Financial Viability and Management	Good Governance and Public Participation
➤ To accelerate the Provision of Water, Sanitation, Roads, Storm Water and Electricity services in partnership with key stakeholders to meet millennium targets and improve the living conditions for all.	➤ To provide support to both the administrative and political offices of the municipality in order to enable their maximum performance.	➤ To facilitate and market opportunities and advantages of Mkhondo Municipality in order to attract local and foreign direct investment.	➤ To align with the needs of the public through alignment with the IDP to ensure spending where it is most needed.	➤ To increase transparency and legitimacy in decision making processes of the municipality.
➤ To accelerate provision of services relating to disaster management, safety, fire, emergency, as well as traffic and licensing	➤ To facilitate representation of previously disadvantaged individuals (PDIIs) in both administrative and political offices of the municipality.	➤ To support growth and development of tourism sector within Mkhondo Municipality.	➤ To ensure that the Municipality maintains its Clean Audit record and Good Financial Management.	➤ To strengthen public participation through Izimbizo, IDP Forums and other communication platforms, this will include previously marginalised groups.
➤ To accelerate provision of services relating to solid waste, parks and gardens; whereas ensuring environmental sustainability of all developments.	➤ To provide education and training for officials and councillors in order to increase their efficiency on the job.	➤ To support cooperatives' and small business development.	➤ To manage internal and external income efficiently; and thus render a sound service to the public.	➤ To improve internal systems and controls, and increase the overall operational efficiency of the municipality to fulfil its responsibilities.
➤ To support provision of comprehensive services and ensure that communities can have access to services which are closer to them.			➤ To assist all departments administratively in increasing their expenditure.	

2.4 Medium- term outlook: Adjustments Budget Financial Performance

MP303 Mkhondo - Table B4 Adjustments Budget Financial Performance
(revenue and expenditure) - February 2015

Description	Re f	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum Funds	Multi- year capital	Unfore. Unavoid .	Nat. or Prov. Govt	Other Adjusts .	Total Adjusts .	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	29,672	-	-	-	-	-	8,405	8,405	38,077	40,133	42,301
Property rates - penalties & collection charges		-						-	-	-	-	-
Service charges - electricity revenue	2	93,339	-	-	-	-	-	(2,717)	(2,717)	90,622	95,516	100,674
Service charges - water revenue	2	15,073	-	-	-	-	-	(4,544)	(4,544)	10,529	11,098	11,697
Service charges - sanitation revenue	2	10,778	-	-	-	-	-	(1,073)	(1,073)	9,705	10,229	10,781
Service charges - refuse revenue	2	7,600	-	-	-	-	-	258	258	7,858	8,283	8,730
Service charges - other		-						-	-	-	-	-
Rental of facilities and equipment		979						137	137	1,117	1,177	1,240
Interest earned - external investments		2,800						(1,418)	(1,418)	1,382	1,457	1,536
Interest earned - outstanding debtors		9,000						(2,644)	(2,644)	6,356	6,699	7,061
Dividends received		-						-	-	-	-	-
Fines		1,310						(220)	(220)	1,090	1,149	1,211
Licences and permits		99						(53)	(53)	45	48	50
Agency services		8,631						(2,285)	(2,285)	6,347	6,690	7,051
Transfers recognised - operating		132,752						150	150	132,902	140,079	147,643
Other revenue	2	27,767	-	-	-	-	-	(2,946)	(2,946)	24,821	29,266	30,847
Gains on disposal of PPE		2,810						(2,738)	(2,738)	72	76	80
Total Revenue (excluding capital transfers and contributions)		342,611	-	-	-	-	-	(11,686)	(11,686)	330,925	351,899	370,902
Expenditure By Type	-											
Employee related costs		99,805	-	-	-	-	-	(4,019)	(4,019)	95,785	100,958	106,410
Remuneration of councillors		9,900						826	826	10,726	11,306	11,916
Debt impairment		16,359						-	-	16,359	17,242	18,173
Depreciation & asset impairment		73,058	-	-	-	-	-	-	-	73,058	77,003	81,161
Finance charges		929						(201)	(201)	729	768	809

Bulk purchases		80,924	-	-	-	-	-	1,450	1,450	82,374	86,822	91,510
Other materials		26,432						(8,237)	(8,237)	18,195	19,177	29,364
Contracted services		25,753	-	-	-	-	-	(1,800)	(1,800)	23,953	27,144	28,609
Transfers and grants		12,872						-	-	12,872	13,567	14,300
Other expenditure		69,605	-	-	-	-	-	299	299	69,903	73,678	77,657
Loss on disposal of PPE		-						-	-	-	-	-
Total Expenditure		415,636	-	-	-	-	-	(11,682)	(11,682)	403,954	427,665	459,909
Surplus/(Deficit)		(73,025)	-	-	-	-	-	(4)	(4)	(73,029)	(75,766)	(89,007)
Transfers recognised - capital		77,765						3,611	3,611	81,376	85,771	90,402
Contributions									-	-		
Contributed assets									-	-		
Surplus/(Deficit) before taxation		4,740	-	-	-	-	-	3,607	3,607	8,347	10,005	1,395
Taxation									-	-		
Surplus/(Deficit) after taxation		4,740	-	-	-	-	-	3,607	3,607	8,347	10,005	1,395
Attributable to minorities									-	-		
Surplus/(Deficit) attributable to municipality		4,740	-	-	-	-	-	3,607	3,607	8,347	10,005	1,395
Share of surplus/ (deficit) of associate									-	-		
Surplus/ (Deficit) for the year		4,740	-	-	-	-	-	3,607	3,607	8,347	10,005	1,395

2.5 Medium- term outlook: Adjustments Budget Financial Position

MP303 Mkhondo - Table B6 Adjustments Budget Financial
Position - February 2015

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi- year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
ASSETS												
Current assets												
Cash		1,635						436	436	2,071	1,723	1,816
Call investment deposits	1	58,439	–	–	–	–	–	(23,147)	(23,147)	35,292	61,595	64,921
Consumer debtors	1	122,016	–	–	–	–	–	25,007	25,007	147,023	128,604	135,549
Other debtors		3,916						(3,916)	(3,916)	–	4,127	4,350
Current portion of long-term receivables		–						–	–	–	–	–
Inventory		4,139						4,543	4,543	8,682	4,363	4,599
Total current assets		190,144	–	–	–	–	–	2,924	2,924	193,068	200,412	211,234
Non current assets												
Long-term receivables		–						–	–	–	–	–
Investments		18,361						(2,141)	(2,141)	16,220	19,352	20,397
Investment property		20,004						(1,055)	(1,055)	18,949	21,084	22,223
Investment in Associate		–						–	–	–	–	–
Property, plant and equipment	1	1,203,168	–	–	–	–	–	(96,089)	(96,089)	1,107,079	1,268,139	1,336,619
Agricultural		–						–	–	–	–	–
Biological		62,212						16,533	16,533	78,746	65,572	69,113
Intangible		398						(398)	(398)	–	420	443
Other non-current assets		94,723						(67,982)	(67,982)	26,742	99,838	105,229
Total non current assets		1,398,867	–	–	–	–	–	(151,131)	(151,131)	1,247,735	1,474,405	1,554,023
TOTAL ASSETS		1,589,011	–	–	–	–	–	(148,208)	(148,208)	1,440,803	1,674,817	1,765,257
LIABILITIES												
Current liabilities												
Bank overdraft		–						–	–	–	–	–
Borrowing		–	–	–	–	–	–	–	–	–	–	–

Consumer deposits		3,713						(603)	(603)	3,110	3,913	4,124
Trade and other payables		42,445	–	–	–	–	–	57,434	57,434	99,878	44,737	47,153
Provisions		6,149						878	878	7,028	6,481	6,831
Total current liabilities		52,307	–	–	–	–	–	57,709	57,709	110,016	55,131	58,108
Non current liabilities												
Borrowing	1	–	–	–	–	–	–	2,371	2,371	2,371	–	–
Provisions	1	37,979	–	–	–	–	–	(26,747)	(26,747)	11,231	40,030	42,191
Total non current liabilities		37,979	–	–	–	–	–	(24,377)	(24,377)	13,602	40,030	42,191
TOTAL LIABILITIES		90,285	–	–	–	–	–	33,332	33,332	123,618	95,161	100,299
NET ASSETS	2	1,498,725	–	–	–	–	–	(181,540)	(181,540)	1,317,185	1,579,656	1,664,958
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		1,498,725	–	–	–	–	–	(181,540)	(181,540)	1,317,185	1,579,656	1,664,958
Reserves		–	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY		1,498,725	–	–	–	–	–	(181,540)	(181,540)	1,317,185	1,579,656	1,664,958

2.6 Medium- term outlook: Adjustments Budget Cash Flows

MP303 Mkhondo - Table B7 Adjustments

Budget Cash Flows – February 2015

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Ratepayers and other		154,241						(13,688)	(13,688)	140,553	148,143	156,142
Government – operating	1	132,752						150	150	132,902	139,920	147,475
Government – capital	1	77,765						–	–	77,765	81,964	86,390
Interest		2,800						(1,418)	(1,418)	1,382	2,951	3,111
Dividends		–						–	–	–	–	–
Payments												
Suppliers and employees		(307,429)						11,281	11,281	(296,148)	(312,140)	(328,995)
Finance charges		(929)						201	201	(729)	(979)	(1,032)
Transfers and Grants	1	(12,872)						–	–	(12,872)	(13,567)	(14,300)
NET CASH FROM/(USED) OPERATING ACTIVITIES		46,328	–	–	–	–	–	(3,474)	(3,474)	42,854	46,292	48,791
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE		2,810						(2,738)	(2,738)	72	76	80
Decrease (increase) in non-current debtors		–						–	–	–	–	–
Decrease (increase) other non-current receivables	-	–						–	–	–	–	–
Decrease (increase) in non-current investments		–						–	–	–	–	–
Payments												
Capital assets		(88,622)						(5,514)	(5,514)	(94,135)	(93,407)	(98,451)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(85,812)	–	–	–	–	–	(8,252)	(8,252)	(94,063)	(93,331)	(98,371)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Repayment of borrowing		–						(500)	(500)	(500)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	(500)	(500)	(500)	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		(39,484)	–	–	–	–	–	(12,226)	(12,226)	(51,709)	(47,039)	(49,580)
Cash/cash equivalents at the year begin:	2	42,697						(5,334)	(5,334)	37,363	(14,347)	(38,404)
Cash/cash equivalents at the year end:	2	3,213	–	–	–	–	–	(17,560)	(17,560)	(14,347)	(61,386)	(87,984)

2.7 Medium- term outlook: Cash backed reserves/Accumulated surplus reconciliation

MP303 Mkhondo - Table B8 Cash backed reserves/accumulated surplus reconciliation – February 2015

Description	Ref	Budget Year 2014/15									Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
Cash and investments available												
Cash/cash equivalents at the year end	1	3,213	–	–	–	–	–	(17,560)	(17,560)	(14,347)	(61,386)	(87,984)
Other current investments > 90 days		56,861	–	–	–	–	–	(5,151)	(5,151)	51,709	124,704	154,721
Non current assets - Investments	1	18,361	–	–	–	–	–	(2,141)	(2,141)	16,220	19,352	20,397
Cash and investments available:		78,435	–	–	–	–	–	(24,852)	(24,852)	53,583	82,670	87,134
Applications of cash and investments												
Unspent conditional transfers		17,377	–	–	–	–	–	9,709	9,709	27,086	18,316	19,305
Unspent borrowing		–	–	–	–	–	–	–	–	–	–	–
Statutory requirements		–	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	2	(70,031)	–	–	–	–	–	37,697	37,697	(32,334)	(67,085)	(70,708)
Other provisions		44,128	–	–	–	–	–	–	–	44,128	46,510	49,022
Long term investments committed		–	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments		–	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		(8,526)	–	–	–	–	–	47,406	47,406	38,880	(2,259)	(2,381)
Surplus(shortfall)		86,960	–	–	–	–	–	(72,258)	(72,258)	14,703	84,929	89,515

2.8 Funding Measurement

MP303 Mkhondo - Supporting Table SB6 Adjustments Budget - funding measurement – February 2015

Description	Ref	MFMA section	2011/12	2012/13	2013/14	Medium Term Revenue and Expenditure Framework				
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Prior Adjusted	Adjusted Budget	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousands										
<u>Funding measures</u>	-	-								
Cash/cash equivalents at the year end - R'000	1	18(1)b	33,174	45,438	23,757	3,213	-	(14,347)	(61,386)	(87,984)
Cash + investments at the yr end less applications - R'000	2	18(1)b	(5,534)	(4,020)	(18,657)	86,960	-	14,703	84,929	89,515
Cash year end/monthly employee/supplier payments	3	18(1)b	0	0	0	0	-	(0)	(0)	(0)
Surplus/(Deficit) excluding depreciation offsets: R'000	4	18(1)	(12,053)	51,571	16,135	4,740	-	8,347	10,005	1,395
Service charge rev % change - macro CPIX target exclusive	5	18(1)a,(2)	N.A.	10.5%	3.8%	0.0%	0.0%	0.0%	-0.6%	-0.6%
Cash receipts % of Ratepayer & Other revenue	6	18(1)a,(2)	0.0%	0.0%	0.0%	75.5%	0.0%	71.5%	70.4%	70.4%
Debt impairment expense as a % of total billable revenue	7	18(1)a,(2)	110.6%	101.0%	100.0%	10.4%	0.0%	10.4%	10.4%	10.4%
Capital payments % of capital expenditure	8	18(1)c,19	6798.3%	102.2%	100.0%	96.1%	0.0%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers)	9	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	10	18(1)a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	11	18(1)a	N.A.	-13.5%	810.1%	810.1%	810.1%	0.0%	-9.7%	5.4%
Long term receivables % change - incr(decr)	12	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	13	20(1)(vi)	0.0%	0.5%	0.8%	2.1%	0.0%	2.2%	2.1%	2.1%
Asset renewal % of capital budget	14	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.9 Transfers and grant receipts

MP303 Mkhondo - Supporting Table SB7 Adjustments Budget - transfers and grant receipts – February 2015

Description	Ref	Budget Year 2014/15							Budget Year +1 2015/16	Budget Year +2 2016/17
		Original Budget	Prior Adjusted	Multi-year capital	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	7 A1	8 B	9 C	10 D	11 E	12 F		
R thousands										
RECEIPTS:	1, 2									
-										
<u>Operating Transfers and Grants</u>										
National Government:		132,752	-	-	-	150	150	132,902	139,921	139,921
Local Government Equitable Share		127,313				150	150	127,463	134,188	134,188
Finance Management	3	1,600				-	-	1,600	1,686	1,686
Municipal Systems Improvement		934				-	-	934	984	984
EPWP Incentive		2,905				-	-	2,905	3,062	3,062
-		-				-	-	-	-	-
-		-				-	-	-	-	-
Other transfers and grants [insert description]		-				-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
	4						-	-		
							-	-		
							-	-		
Other transfers and grants [insert description]	5						-	-		
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]							-	-		
							-	-		
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]							-	-		
							-	-		
Total Operating Transfers and Grants	6	132,752	-	-	-	150	150	132,902	139,921	139,921

<u>Capital Transfers and Grants</u>										
National Government:		77,765	–	–	–	3,611	3,611	81,376	81,964	86,390
Municipal Infrastructure Grant (MIG)		72,765				3,611	3,611	76,376	76,694	80,836
		–				–	–	–	–	–
		–				–	–	–	–	–
		–				–	–	–	–	–
		–				–	–	–	–	–
INEP		5,000				–	–	5,000	5,270	5,555
Provincial Government:		–	–	–	–	–	–	–	–	–
							–	–		
[insert description]							–	–		
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]							–	–		
							–	–		
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]							–	–		
							–	–		
Total Capital Transfers and Grants	6	77,765	–	–	–	3,611	3,611	81,376	81,964	86,390
TOTAL RECEIPTS OF TRANSFERS & GRANTS		210,517	–	–	–	3,761	3,761	214,278	221,885	226,311

2.10 Monthly revenue and expenditure (standard classification)

MP303 Mkhondo - Supporting Table SB13 Adjustments Budget - monthly revenue and expenditure (standard classification) – February 2015

Description - Standard classification	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands																
Revenue - Standard Governance and administration		55,478	3,620	2,778	4,809	47,261	4,164	8,878	8,878	8,878	8,878	8,878	8,878	171,379	178,238	187,863
Executive and council		50,394	–	–	–	42,438	36	4,196	4,196	4,196	4,196	4,196	4,196	118,044	127,001	133,859
Budget and treasury office		5,083	3,590	2,768	4,800	4,784	4,119	4,658	4,658	4,658	4,658	4,658	4,659	53,094	51,112	53,872
Corporate services	1	30	30	9	9	40	9	24	24	24	24	24	24	242	126	132
Community and public safety		173	407	216	208	211	142	374	374	374	374	374	374	3,604	4,372	4,608
Community and social services	30	15	15	19	23	16	11	7	7	7	7	7	7	153	146	154
Sport and recreation	2	2	2	2	2	2	2	3	3	3	3	3	2	25	29	31
Public safety	127	375	375	181	68	177	96	267	267	267	267	267	267	2,625	3,478	3,665
Housing	15	15	15	15	115	17	34	98	98	98	98	98	98	800	719	758
Health	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services		34	1,189	3	(1,451)	2,485	31,676	3,775	3,775	3,775	3,775	3,775	(41,861)	10,948	14,892	15,696
Planning and development	34	27	27	3	49	48	9	(28)	(28)	(28)	(28)	(28)	(28)	–	–	–
Road transport	–	1,162	1,162	0	(1,500)	2,437	31,667	3,803	3,803	3,803	3,803	3,803	(41,833)	10,948	14,892	15,696

Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	11,647	6,740	6,067	15,788	12,315	9,150	10,957	10,957	10,957	10,957	10,957	10,957	12,960	129,456	144,272	152,062
Electricity	7,262	4,049	3,865	13,359	9,951	6,974	8,685	8,685	8,685	8,685	8,685	8,685	8,685	97,569	105,270	110,954
Water	3,155	1,511	967	1,217	1,153	885	877	877	877	877	877	877	877	14,150	19,472	20,524
Waste water management	587	537	591	568	579	626	731	731	731	731	731	731	2,733	9,875	11,515	12,137
Waste management	643	643	643	645	632	666	665	665	665	665	665	665	665	7,861	8,014	8,447
Other	0	10	10	107	322	2,021	2,178	2,178	2,178	2,178	2,178	2,178	2,178	15,538	19,338	20,382
Total Revenue - Standard	67,333	11,965	9,074	19,461	62,594	47,153	26,163	26,163	26,163	26,163	26,163	26,163	(17,471)	330,925	361,112	380,612
Expenditure - Standard																
Governance and administration	6,901	5,665	5,419	6,185	7,102	8,907	26,621	26,621	26,621	26,621	26,621	26,621	26,622	199,906	206,739	217,903
Executive and council	1,959	2,137	1,922	1,885	1,881	2,956	5,870	5,870	5,870	5,870	5,870	5,870	5,870	47,961	48,009	50,602
Budget and treasury office	3,580	2,401	2,510	3,176	4,005	4,656	19,017	19,017	19,017	19,017	19,017	19,017	19,017	134,429	142,037	149,707
Corporate services	1,362	1,127	987	1,125	1,215	1,294	1,734	1,734	1,734	1,734	1,734	1,734	1,734	17,516	16,693	17,594
Community and public safety	1,865	1,599	2,650	2,210	3,272	2,961	1,017	1,017	1,017	1,017	1,017	1,017	1,018	20,664	22,693	23,919
Community and social services	254	246	781	405	1,770	1,694	(521)	(521)	(521)	(521)	(521)	(521)	(521)	2,023	2,118	2,232
Sport and recreation	236	336	227	255	228	328	297	297	297	297	297	297	297	3,393	3,352	3,533
Public safety	1,295	946	1,516	1,483	1,196	868	1,123	1,123	1,123	1,123	1,123	1,123	1,123	14,040	13,958	14,712
Housing	–	–	7	–	–	–	3	3	3	3	3	3	4	27	37	39
Health	80	72	120	68	78	71	115	115	115	115	115	115	116	1,181	3,229	3,403
Economic and environmental services	2,116	2,620	1,947	2,956	2,425	2,080	2,461	2,461	2,461	2,461	2,461	2,461	2,461	28,908	38,914	41,015
Planning and development	158	177	111	132	89	102	(128)	(128)	(128)	(128)	(128)	(128)	(128)	–	–	–
Road transport	1,957	2,443	1,837	2,824	2,336	1,978	2,589	2,589	2,589	2,589	2,589	2,589	2,589	28,908	38,914	41,015
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	4,322	17,074	6,435	10,175	10,324	15,178	12,523	12,523	12,523	12,523	12,523	12,523	12,523	138,643	152,976	161,237
Electricity	928	14,219	1,832	7,039	7,731	12,167	9,224	9,224	9,224	9,224	9,224	9,224	9,223	99,257	107,034	112,814

Water		2,251	1,851	3,581	2,081	778	2,098	1,921	1,921	1,921	1,921	1,921	1,921	24,168	29,188	30,764
Waste water management		117	118	140	222	131	126	318	318	318	318	318	318	2,763	5,809	6,123
Waste management		1,026	886	882	832	1,683	787	1,060	1,060	1,060	1,060	1,060	1,060	12,455	10,945	11,536
Other		504	2,135	2,202	1,869	1,387	2,493	873	873	873	873	873	874	15,832	16,757	17,662
Total Expenditure - Standard		15,708	29,093	18,654	23,395	24,510	31,619	43,495	43,495	43,495	43,495	43,495	43,497	403,953	438,080	461,736
Surplus/ (Deficit) 1.		51,625	(17,128)	(9,580)	(3,934)	38,084	15,534	(17,332)	(17,332)	(17,332)	(17,332)	(17,332)	(60,968)	(73,028)	(76,967)	(81,124)

2.11 Monthly revenue and expenditure

MP303 Mkhondo - Supporting Table SB14 Adjustments Budget - monthly revenue and expenditure – February 2015

Description	Re f	Budget Year 2014/15												Medium Term Revenue and Expendit ure Framework		
		July	August	Sept.	October	Novembe r	Decembe r	January	Februar y	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcom e	Outcom e	Outcom e	Outcom e	Outcome	Outcome	Adjuste d Budget	Adjuste d Budget	Adjuste d Budget	Adjuste d Budget	Adjuste d Budget	Adjuste d Budget	Adjusted Budget	Adjuste d Budget	Adjuste d Budget
R thousands																
Revenue By Source																
Property rates		2,459	2,436	2,459	3,851	3,858	3,127	3,315	3,315	3,315	3,315	3,315	3,315	38,077	40,133	42,301
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue		3,856	3,519	3,262	13,329	13,329	6,974	7,725	7,725	7,725	7,725	7,725	7,725	90,622	95,516	100,674
Service charges - water revenue		1,377	1,257	967	1,217	1,153	885	612	612	612	612	612	612	10,529	11,098	11,697
Service charges - sanitation revenue		584	537	591	568	579	626	1,037	1,037	1,037	1,037	1,037	1,037	9,705	10,229	10,781
Service charges - refuse		643	643	643	645	632	666	665	665	665	665	665	664	7,858	8,283	8,730

Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	27	50	41	187	41	49	120	120	120	120	120	120	1,117	1,177	1,240
Interest earned - external investments	143	136	151	93	63	104	115	115	115	115	115	115	1,382	1,457	1,536
Interest earned - outstanding debtors	725	–	–	809	805	839	530	530	530	530	530	530	6,356	6,699	7,061
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	26	21	41	17	24	37	154	154	154	154	154	154	1,090	1,149	1,211
Licences and permits	–	–	–	0	16	–	5	5	5	5	5	5	45	48	50
Agency services	–	–	–	1,550	1,550	–	541	541	541	541	541	541	6,347	6,690	7,051
Transfers recognised - operational	51,994	2,107	–	–	43,339	–	5,910	5,910	5,910	5,910	5,910	5,910	132,902	140,079	147,643
Other revenue	5,500	1,217	803	(2,832)	(2,832)	2,139	3,471	3,471	3,471	3,471	3,471	3,471	24,821	29,266	30,847
Gains on disposal of PPE	2,810	–	–	–	–	36	(462)	(462)	(462)	(462)	(462)	(463)	72	76	80
Total Revenue	70,143	11,925	8,958	19,435	62,558	15,482	23,738	23,738	23,738	23,738	23,738	23,737	330,925	351,899	370,902
Expenditure By Type															
Employee related costs	8,570	8,945	8,890	8,963	8,972	9,564	6,980	6,980	6,980	6,980	6,980	6,981	95,785	100,958	106,410
Remuneration of councillors	1,006	1,018	1,062	1,023	1,045	1,045	755	755	755	755	755	755	10,726	11,306	11,916
Debt impairment	–	–	–	–	–	–	2,727	2,727	2,727	2,727	2,727	2,726	16,359	17,242	18,173
Depreciation & asset impairment	–	–	–	–	–	–	12,176	12,176	12,176	12,176	12,176	12,176	73,058	77,003	81,161
Finance charges	–	–	–	201	–	–	88	88	88	88	88	88	729	768	809
Bulk purchases	90	13,433	12	6,101	6,949	11,000	7,465	7,465	7,465	7,465	7,465	7,464	82,374	86,822	91,510
Other materials	1,070	574	971	1,060	778	1,600	2,024	2,024	2,024	2,024	2,024	2,023	18,195	19,177	29,364
Contracted services	332	2,449	2,469	2,329	2,184	3,039	1,859	1,859	1,859	1,859	1,859	1,858	23,953	27,144	28,609
Grants and subsidies	268	292	694	1,231	393	435	1,593	1,593	1,593	1,593	1,593	1,594	12,872	13,567	14,300
Other expenditure	4,371	2,383	4,455	2,486	4,190	4,936	7,847	7,847	7,847	7,847	7,847	7,847	69,903	73,678	77,657
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Total Expenditure		15,708	29,093	18,552	23,395	24,510	31,619	43,513	43,513	43,513	43,513	43,513	43,512	403,954	427,665	459,909
Surplus/(Deficit)		54,435	(17,169)	(9,595)	(3,960)	38,048	(16,137)	(19,775)	(19,775)	(19,775)	(19,775)	(19,775)	(19,775)	(73,029)	(75,766)	(89,007)
Transfers recognised - capital		127	6,856	6,351	5,246	4,286	11,563	7,825	7,825	7,825	7,825	7,825	7,825	81,376	85,771	90,402
Contributions		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		54,562	(10,313)	(3,244)	1,286	42,334	(4,574)	(11,951)	(11,951)	(11,951)	(11,951)	(11,951)	(11,951)	8,347	10,005	1,395

2.12 Monthly Cash Flow

MP303 Mkhondo - Supporting Table SB15 Adjustments Budget - monthly cash flow – February 2015

Monthly cash flows	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands																
Cash Receipts By Source	1															
Property rates		1,264	1,223	1,205	3,468	3,588	1,939	2,074	2,074	2,074	2,074	2,074	2,074	25,131	26,790	28,558
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–	–	–	–	458	488
Service charges - electricity revenue		1,983	1,767	1,599	12,005	12,396	4,324	4,290	4,290	4,290	4,290	4,290	4,289	59,811	63,759	67,968
Service charges - water revenue		708	636	474	1,096	1,073	549	402	402	402	402	402	402	6,949	7,408	7,897
Service charges - sanitation revenue		300	269	290	511	539	388	685	685	685	685	685	685	6,405	6,828	7,278
Service charges - refuse		331	323	315	581	588	413	439	439	439	439	439	440	5,186	5,528	5,893
Service charges - other		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		27	50	41	187	41	49	120	120	120	120	120	120	1,117	1,191	1,269
Interest earned - external investments		143	136	151	93	63	104	115	115	115	115	115	115	1,382	1,473	1,570

Interest earned - outstanding debtors	725	–	–	809	805	839	170	170	170	170	170	170	4,195	4,472	4,767
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	26	21	41	17	24	37	63	63	63	63	63	63	545	581	619
Licences and permits	–	–	–	0	16	–	5	5	5	5	5	4	45	48	51
Agency services	–	–	–	1,550	1,550	–	541	541	541	541	541	541	6,347	6,766	7,212
Transfer receipts - operational	51,994	2,107	–	–	43,339	–	5,910	5,910	5,910	5,910	5,910	5,910	132,902	141,674	151,024
Other revenue	5,500	1,217	803	(2,832)	(2,832)	2,139	3,471	3,471	3,471	3,471	3,471	3,471	24,821	26,459	28,205
Cash Receipts by Source	63,001	7,751	4,918	17,486	61,189	10,780	18,285	18,285	18,285	18,285	18,285	18,284	274,836	293,433	312,802
Other Cash Flows by Source															
Transfers receipts - capital	25,266	–	–	1,683	1,617	31,667	2,922	2,922	2,922	2,922	2,922	2,922	77,765	82,897	88,369
Contributions & Contributed assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds on disposal of PPE	–	–	–	–	–	36	6	6	6	6	6	6	72	77	82
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Increase in consumer deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Receipts by Source	88,267	7,751	4,918	19,169	62,806	42,483	21,213	21,213	21,213	21,213	21,213	21,212	352,673	376,408	401,252
<u>Cash Payments by Type</u>															
Employee related costs	8,570	8,945	8,890	8,963	8,972	9,564	6,182	6,182	6,182	6,182	6,182	6,182	90,996	97,002	103,404
Remuneration of councillors	1,006	1,018	1,062	1,023	1,045	1,045	755	755	755	755	755	755	10,726	11,434	12,189
Collection costs	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Interest paid	–	–	–	201	–	–	88	88	88	88	88	88	729	777	828
Bulk purchases - Electricity	90	13,433	12	6,101	6,949	11,000	7,131	7,131	7,131	7,131	7,131	7,131	80,374	85,679	91,333

Bulk purchases - Water & Sewer	–	–	–	–		–	–	–	–	–	–	2,000	2,000	2,132	2,273
Other materials	1,070	574	971	1,060	778	1,600	2,024	2,024	2,024	2,024	2,024	2,023	18,195	19,396	20,676
Contracted services	332	2,449	2,469	2,329	2,184	3,039	1,859	1,859	1,859	1,859	1,859	1,858	23,953	25,534	27,219
Grants and subsidies paid - other municipalities	268	292	694	1,231	393	435	1,593	1,593	1,593	1,593	1,593	1,594	12,872	13,722	14,627
Grants and subsidies paid - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
General expenses	4,371	2,383	4,455	2,486	4,190	4,936	7,847	7,847	7,847	7,847	7,847	7,847	69,903	74,517	79,435
Cash Payments by Type	15,708	29,093	18,552	23,395	24,510	31,619	27,478	27,478	27,478	27,478	27,478	29,478	309,748	330,191	351,984
Other Cash Flows/Payments by Type															
Capital assets	240	6,977	8,024	5,445	4,319	11,587	9,590	9,590	9,590	9,590	9,590	9,590	94,135	82,897	88,369
Repayment of borrowing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	500	–	–	–	500	–	–
Total Cash Payments by Type	15,948	36,071	26,576	28,840	28,829	43,206	37,069	37,069	37,569	37,069	37,069	39,068	404,383	413,089	440,353
NET INCREASE/(DECREASE) IN CASH HELD	72,318	(28,320)	(21,658)	(9,671)	33,978	(723)	(15,855)	(15,855)	(16,355)	(15,855)	(15,855)	(17,856)	(51,710)	(36,681)	(39,101)
Cash/cash equivalents at the month/year beginning:	37,363	109,681	81,361	59,703	50,032	84,010	83,287	67,431	51,576	35,220	19,365	3,509	37,363	(14,347)	(51,028)
Cash/cash equivalents at the month/year end:	109,681	81,361	59,703	50,032	84,010	83,287	67,431	51,576	35,220	19,365	3,509	(14,347)	(14,347)	(51,028)	(90,129)

2.13 Monthly Capital expenditure

MP303 Mkhondo - Supporting Table SB17 Adjustments Budget - monthly capital expenditure (standard classification) -

Description	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
		Outcome	Outcome	Outcome	Outcome	Outcome	Outcome	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands																
Capital Expenditure - Standard																
Governance and administration		61	121	833	200	33	24	583	583	583	583	583	583	4,768	5,026	5,297
Executive and council														-	-	-
Budget and treasury office	21	-	261	-	-	-	464	464	464	464	464	464	464	3,063	3,229	3,403
Corporate services	40	121	571	200	33	24	119	119	119	119	119	119	119	1,705	1,797	1,894
Community and public safety		-	-	-	-	-	-	83	83	83	83	83	83	500	527	555
Community and social services														-	-	-
Sport and recreation														-	-	-
Public safety	-	-	-	-	-	-	-	83	83	83	83	83	83	500	527	555
Housing														-	-	-
Health														-	-	-
Economic and environmental services		164	5,726	4,109	1,063	158	2,833	1,064	1,064	1,064	1,064	1,064	1,065	20,437	21,541	22,704
Planning and development														-	-	-
Road transport	164	5,726	4,109	1,063	158	2,833	1,064	1,064	1,064	1,064	1,064	1,064	1,065	20,437	21,541	22,704

Environmental protection													–	–	–	–
Trading services	–	1,130	3,082	4,183	4,128	8,730	8,739	8,739	8,739	8,739	8,739	8,738	73,686	77,665	81,859	
Electricity	–	–	833	467	–	–	1,239	1,239	1,239	1,239	1,239	1,238	8,732	9,204	9,701	
Water	–	1,130	2,249	2,307	3,772	3,519	3,710	3,710	3,710	3,710	3,710	3,710	35,237	37,140	39,146	
Waste water management	–	–	–	1,408	356	5,211	3,790	3,790	3,790	3,790	3,790	3,790	29,717	31,321	33,013	
Waste management												–	–	–	–	
Other	15	–	–	–	–	–	28	28	28	28	28	27	180	190	200	
Total Capital Expenditure - Standard	240	6,977	8,024	5,445	4,319	11,587	10,496	10,496	10,496	10,496	10,496	10,497	99,572	104,949	110,616	

2.14 Councillor and Staff benefit

MP303 Mkhondo - Supporting Table SB11 Adjustments Budget - councillor and staff benefits – February 2015

Summary of remuneration	Ref	Budget Year 2014/15									% change
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H	
<u>Councillors (Political Office Bearers plus Other)</u>											
Basic Salaries and Wages		5,070						533	533	5,603	10.5%
Pension and UIF Contributions		732						12	12	744	1.6%
Medical Aid Contributions		281						(156)	(156)	125	-55.4%
Motor Vehicle Allowance		2,475						(187)	(187)	2,288	-7.6%
Cellphone Allowance		826						705	705	1,531	
Housing Allowances		516						(81)	(81)	435	
Other benefits and allowances		–						–	–	–	
Sub Total - Councillors		9,900	–			–		826	826	10,726	8.3%
% increase			(0)							0	
<u>Senior Managers of the Municipality</u>											
Basic Salaries and Wages		8,919						(645)	(645)	8,274	-7.2%
Pension and UIF Contributions		2,034						(183)	(183)	1,850	-9.0%
Medical Aid Contributions		434						(27)	(27)	406	-6.3%
Overtime		–						187	187	187	#DIV/0!
Performance Bonus		1,313						–	–	1,313	
Motor Vehicle Allowance		2,049						13	13	2,061	0.6%
Cellphone Allowance		–						–	–	–	
Housing Allowances		1,005						4	4	1,009	
Other benefits and allowances		2						(31)	(31)	(30)	
Payments in lieu of leave		–						–	–	–	
Long service awards		–						–	–	–	
Post-retirement benefit obligations	5	–						–	–	–	
Sub Total - Senior Managers of Municipality		15,755	–	–		–		(683)	(683)	15,072	-4.3%
% increase			(0)							(0)	
<u>Other Municipal Staff</u>											
Basic Salaries and Wages		58,982						(3,151)	(3,151)	55,830	-5.3%
Pension and UIF Contributions		11,006						(896)	(896)	10,110	-8.1%
Medical Aid Contributions		2,670						(133)	(133)	2,537	-5.0%
Overtime		4,227						915	915	5,143	21.7%
Performance Bonus		4,227						–	–	4,227	
Motor Vehicle Allowance		539						61	61	600	11.4%

Cellphone Allowance	5	–						–	–		
Housing Allowances		57					19	19	76		
Other benefits and allowances		2,342					(153)	(153)	2,189		
Payments in lieu of leave								–	–		
Long service awards								–	–		
Post-retirement benefit obligations								–	–		
Sub Total - Other Municipal Staff		84,050	–	–	–	–	–	(3,337)	(3,337)	80,714	-4.0%
% increase											
Total Parent Municipality		109,705	–	–	–	–	–	(3,194)	(3,194)	106,512	-2.9%
COUNCILLOR ALLOWANCES, EMPLOYEE REMUNERATION & ENTITY REMUNERATION		109,705	–	–	–	–	–	(3,194)	(3,194)	106,512	-2.9%
% increase											
TOTAL MANAGERS AND STAFF		99,805	–	–	–	–	–	(4,020)	(4,020)	95,785	-4.0%

2.15 Municipal Manager's Quality Certificate

I _____, Acting Municipal Manager of Mkhondo Local Municipality, hereby certify that the adjustment budget report and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustment budget report and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Acting Municipal Manager of Mkhondo Local Municipality (MP303)

Signature _____

Date _____